

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF TAX AND REVENUE



**EFFECTS OF THE DISTRICT'S  
“BONUS DEPRECIATION DE-COUPLING FROM THE INTERNAL REVENUE CODE  
ACT OF 2002”**

February 11, 2004

30 % Bonus Depreciation

The federal statute, *Job Creation and Worker Assistance Act of 2002*, provided, in part, a special 30% depreciation deduction for property acquired and placed in service after September 10, 2001, and before September 11, 2004.

The District statute, *The Bonus Depreciation De-Coupling From The Internal Revenue Code Act of 2002*, de-coupled the District from the federal tax law providing the 30% bonus depreciation.

50% Bonus Depreciation

The federal statute, *Jobs and Growth Tax Relief Reconciliation Act of 2003*, provided, in part, a special 50% depreciation deduction for property acquired and placed in service after May 5, 2003, and before September 11, 2005.

The District statute, *The Bonus Depreciation De-Coupling from the Internal Revenue Temporary Act of 2003*, de-coupled the District from the federal tax law providing the 50% bonus depreciation.

Bonus Depreciation Adjustments Required

For purposes of the District's Corporate and Unincorporated Business Franchise Tax, if either bonus depreciation was claimed on the federal tax return, a depreciation adjustment must be made.

- (1) In the year the federal bonus depreciation was claimed, for District tax purposes the amount claimed on the federal Form 4562 must be reduced by the bonus depreciation claimed.
- (2) In subsequent years, the depreciation allowable on bonus depreciation property is, for District tax purposes, more than that allowable on the federal tax return. The amount of depreciation that may be claimed on the District tax return is the regular depreciation amount for property whose basis is not reduced by any bonus depreciation.

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For Individual Income Tax purposes, if the bonus depreciation was claimed for federal tax purposes, an adjustment must be made to the depreciation claimed on the District tax return.

- (1) In the year the federal bonus depreciation is claimed and included in Federal Adjusted Gross income, an adjustment must be made on Calculation B line f to add back the amount of Bonus depreciation claimed.
- (2) In subsequent years, the depreciation allowable on bonus depreciation property is, for District tax purposes, more than that allowable on the federal tax return. An adjustment must be made on Calculation A for the difference between depreciation allowed for District tax purposes and the depreciation allowed for Federal tax purposes. For tax year 2003, there is no provision in Calculation A for this adjustment, the adjustment must be written in by the taxpayer.

### IRC Section 179 Deductions

The federal statute, *Jobs and Growth Tax Relief Reconciliation Act of 2003*, provided, in part, an increase in the maximum section 179 expensing from \$25,000 to \$100,000 and the phase-out limit from \$200,000 to \$400,000 for tax years 2003, 2004 and 2005.

A proposal for de-coupling from this tax benefit is pending before the DC Council.

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